

Message Text

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PASS COMMERCE FOR MEPD

E.O. 11652: N/A

TAGS: EIND, BMEP, ID

SUBJ: KRAKATAU STEEL MILL

REF: STATE 042274

SUMMARY. ARMCO'S TEWEL LEFT INDONESIA FEBRUARY 23 APPARENTLY SATISFIED WITH PROGRESS TRAINING PROPOSAL AND MORE THAN EVER CONVINCED INDONESIANS NEED STRONG COORDINATING EFFORT TO TAKE PRIORITY OVER ANY NEW KRAKATAU VENTURES. STATUS OF MARUBENI COLD MILL STILL IN DOUBT, HOT STRIP MILL APPARENTLY IN ABEYANCE, BUT INDONESIANS APPARENTLY PROCEEDING WITH NEW LINE PIPE VENTURE. END SUMMARY.

1. TEWEL VISITED INDONESIA FEB 17-23 ACCOMPANIED BY Y. MORI, GENERAL MANAGER ARMCO TEKKO, JAPAN. IT IS APPARENTLY INTENTION OF AMERICAN STEEL TEAM TO MAKE MORI (AN AMERICAN CITIZEN OF JAPANESE DESCENT) PRINCIPAL ACTION OFFICER FOR KRAKATAU PROJECT.

2. TEWEL/MORI REPORTED RATHER UNSETTLED PATTERN OF TALKS ON TRAINING PROPO AL, WITH NEGOTIATIONS TAKING FAVORABLE TURN ON THEIR DEPARTURE. PROGRAM ENVISIONED BY KRAKTAU IS COMPREHENSIVE ONE THAT TAKES INTO ACCOUNT LOW LEVEL OF PREPARATION AS MANY CANDIDATES

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FOR KRAKATAU WORKFORCE AND WHICH WILL ALSO PROVIDE

UNIVERSITY-EQUIVALENT INSTRUCTION FOR SOME PARTICIPANTS.

3. APPEARS THAT ARMCO'S APPROACH TO HOT STRIP MILL PROPOSAL WAS TO TRY TO PERSUADE KRAKATAU DEFER CONSIDERATION OF SUCH A FACILITY ON GROUNDS THAT KRAKATAU WILL HAVE ITS HAND FULL COORDINATING PROJECTS ALREADY IN PIPELINE. TEWEL REPORTED HE HAD LEFT KRAKATAU MANAGING DIRECTOR MARJOENI WITH THE WORD THAT AMERICAN GROUP IS PREPARED TO PERFORM A FEASIBILITY STUDY ON THE STRIP MILL AT ANY TIME MARJOENI GIVES THE SIGNAL, AND THAT AMERICANS PROPOSE TO DO NOTHING FURTHER ABOUT IT UNTIL THEN.

4. COMMENT. EMBASSY REMAINS SOMEWHAT APPREHENSIVE ABOUT TEWEL/MORI APPROACH TO HOT STRIP MILL PROPOSAL, HAVING RECEIVED FAIRLY UNEQUIVOCAL SIGNALS FROM MARJOENI EARLIER THAT PROPOSAL WAS DESIRED AT THIS STAGE. TEWEL/MORI OF COURSE AWARE OF RECENT VIOLENT EXPRESSION OF INDONESIAN ANTI-JAPANESE FEELINGS, AND WE ASSUME THEY WERE ATTENTIVE TO SIGNALS THEY MAY HAVE RECEIVED DURING THEIR VISIT RE ACCEPTABILITY OF KRAKATAU PROGRAM RUN OUT OF TOKYO. EMBASSY HESITATES TO INTERVENE FURTHER IN WHAT BY NOW SHOULD BE BUSINESS-TO-BUSINESS RELATIONS BETWEEN AMERICAN COMPANIES AND KRAKATAU, BUT IF OPPORTUNITY PRESENTS WILL SEEK A READING ON HOW KRAKATAU OFFICIALS NOW VIEW THEIR RELATIONS WITH THE AMERICANS.

5. INCIDENTAL INTELLIGENCE: TEWEL RECEIVED IMPRESSION THAT MARUBENI COLD REVERSING MILL VENTURE IS MAKING POOR PROGRESS AND LOOKS MORE THAN EVER LIKE FOLDING. THIS WOULD PROBABLY MEAN KRAKATAU'S UNDERTAKING THIS VENTURE ON A WHOLLY-WOND BASIS, WHICH IN TURN WOULD LEAD TO WHOLE NEW SPECTRUM OF EQUIPMENT PROCUREMENT DECISIONS. ANOTHER SOURCE REPORTS RELIABLY THAT U.S. INSTUTE OF LOS ANGELES WILL FORM A JOINT VENTURE WITH KRAKATAU FOR A CIRCA \$50 MILLION FACILITY TO PRODUCE API LATERALLY-WELDED (ERW) LINE PIPE FOR THE OIL INDUSTRY. NEWSOM

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